

HOUSE BILL REPORT

ESHB 2289

As Amended by the Senate

Title: An act relating to expanding the energy freedom program.

Brief Description: Expanding the energy freedom program.

Sponsors: House Committee on Capital Budget (originally sponsored by Representative McCoy).

Brief History:

Committee Activity:

Capital Budget: 2/24/09, 2/27/09 [DPS].

Floor Activity

Passed House: 3/6/09, 88-7.

Senate Amended.

Passed Senate: 4/17/09, 45-0.

Brief Summary of Engrossed Substitute Bill

- Expands the Energy Freedom Program by including state efforts to promote, develop, and encourage energy efficiency, renewable energy, and innovative energy technology markets in Washington.
- Amends the Energy Freedom Account by allowing the use of moneys provided by the federal government.
- Creates the Energy Non-State Funding Energy Subaccount.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 14 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Warnick, Ranking Minority Member; Pearson, Assistant Ranking Minority Member; Anderson, Blake, Chase, Grant-Herriot, Hope, Jacks, Maxwell, Orwall, Smith and White.

Minority Report: Do not pass. Signed by 1 member: Representative McCune.

Staff: Nona Snell (786-7153)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

In 2006 the Legislature established the Energy Freedom Program (Program) and the Energy Freedom Account in the Washington Department of Agriculture to develop a viable biofuel industry to promote public research and development in biofuel sources and markets, and to support a viable agriculture industry to grow biofuel crops. In 2007 the Legislature transferred responsibility of the Program and the Energy Freedom Account to the Department of Community, Trade and Economic Development (DCTED) and created the Green Energy Incentive Account within the Energy Freedom Account.

The Program provides financial and technical assistance to cities, counties, ports, special purpose districts, and other political subdivisions of the state, as well as federally recognized tribes, and state institutions of higher education for the types of projects listed below. Under the Program, a project may receive up to \$5 million from the Energy Freedom Account as long as the support constitutes no more than 50 percent of the total project costs. The following are the criteria for selecting projects:

- conversion of farm products, wastes, cellulose, or biogas directly into electricity, biofuel, or other coproducts;
- technical feasibility and assistance in moving commercially viable projects into the marketplace;
- use of feedstocks produced in the state;
- increased energy independence or diversity;
- production of long-term economic benefits, including new jobs, job retention, or higher incomes; and
- options for the state to purchase a portion of the fuel or feedstock produced by the project.

Appropriations made to the Green Energy Incentive Account are dedicated for refueling station development, plug-in hybrid pilot projects, and hydrogen vehicle demonstration projects.

Summary of Engrossed Substitute Bill:

The Energy Freedom Program (Program) is expanded to include state efforts to promote, develop, and encourage energy efficiency, renewable energy, and innovative energy technology markets in Washington.

Financial assistance may be provided to the state, political subdivisions of the state, federally recognized Indian tribes, and nonprofit 501(c)(3) organizations.

The definitions of energy efficiency and renewable energy improvements are added to the Program. Energy efficiency means an installation or modification that is designed to reduce energy consumption. It includes insulation; storm windows and doors; automatic energy control systems; heating, ventilating, or air conditioning and distribution systems; caulking and weather stripping; energy recovery systems; geothermal heat pumps; and day lighting systems. Renewable energy improvements means a fixture, product, system, device, or interacting group of devices that produces energy from renewable sources. It includes

photovoltaic systems; solar thermal systems; small wind systems; biomass systems; and geothermal systems.

When reviewing applications for energy efficiency improvements, renewable energy improvements, or innovative energy technology, applicants may be awarded grants or loans if the project or program:

1. will result in increased access to energy efficiency improvements, renewable energy improvements, or innovative energy technologies;
2. demonstrates technical feasibility and assists in moving a project into the marketplace for use by Washington citizens;
3. does not require continued state support; or
4. the federal government has provided funds with a limited time frame for use.

Moneys provided by the federal government for energy independence and security, innovative energy technologies, energy efficiency, renewable energy, and conservation may be deposited into the Energy Freedom Account. Repayments of principal and interest from loans made to energy efficiency improvement, renewable energy improvement, and innovative energy technology projects must be used only for financial assistance to further funding of similar projects.

An appropriated subaccount, called the Non-state Funding Energy Account, is created.

EFFECT OF SENATE AMENDMENT(S):

The definition of “Applicant” is change by the inclusion of private entities that are eligible to receive federal funding to the definition of applicant. The definition of “Project” is amended to include clean energy projects identified by the Clean Energy Leadership Council, created in SB 5921, and energy efficiency improvements, renewable energy improvements, or innovative energy technologies.

When reviewing applications submitted for program funds, the director of the Department of Community, Trade and Economic Development must consult with several entities, and the Clean Energy Leadership Council is added to those that must be consulted with.

The Energy Recovery Account is created, and federal funds may be deposited in the account instead of the Energy Freedom Account or the Nonstate Funding Energy Subaccount. The Energy Recovery Account is an appropriated account to be used for loans, loan guarantees, and grants that encourage the establishment of innovative and sustainable industries for renewable energy and energy efficiency technology. The account retains interest generated from the account. The director of the Department of Community, Trade and Economic Development must establish policies for funding projects and must consider the Clean Energy Leadership Strategy.

If the request for funds exceeds availability, the applications must be prioritized based on several criteria; criteria as determined by the Clean Energy Leadership Council is added.

Appropriation: None.

Fiscal Note: Requested on February 23, 2009.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) Projects will be brought online that will reduce our dependence on oil-based products. Smart grid, smart metering, electric, geothermal, wind, biogas, wastewater, anaerobic, wave, tidal, and solar are some of the types of projects covered.

(Opposed) None.

Persons Testifying: Representative McCoy, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.